

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 7020**

**BILL NUMBER:** SB 389

**DATE PREPARED:** Jan 5, 2002

**BILL AMENDED:**

**SUBJECT:** Personal Property Tax Abatement.

**FISCAL ANALYST:** Bob Sigalow

**PHONE NUMBER:** 232-9859

**FUNDS AFFECTED:**      **GENERAL  
DEDICATED  
FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** This bill includes *work in process* in the determination of property tax abatement.

**Effective Date:** January 1, 2002 (retroactive).

**Explanation of State Expenditures:**

**Explanation of State Revenues:**

**Explanation of Local Expenditures:**

**Explanation of Local Revenues:** Under current law, local designating bodies may grant a property tax abatement for up to ten years to the owner of new manufacturing or research & development equipment. The abatement is equal to the assessed value of the property in the first year in which it was installed multiplied by a percentage that declines each year during the abatement period. *Installed* property does not include *construction in process* (CIP). Therefore, the taxpayer cannot receive an abatement for any property that is not completely installed and in service on the assessment date. Under this bill, *construction in process* would qualify for abatement.

Through the March 1, 2001, assessment date, CIP was assessed at 10% of cost. Under the new personal property assessment rules effective with the March 1, 2002, assessment date, CIP will be assessed at 87% of cost. The assessment percentage for equipment in its first year of service will be 88% in the most frequently used pool, according to the new rules.

Currently, the abatement period begins on the assessment date on which the equipment is first fully installed. Under the proposal, the abatement period for equipment would start on the first assessment date on which the owner has possession, regardless of whether the property is installed or CIP. This action would simply

accelerate the abatement for property that is CIP. The remaining value of the equipment installed after the initial assessment date would be subject to its own abatement schedule. Over the entire abatement period, the total amount of assessed value that is to be abated under the bill would be about the same as it is under current law.

**State Agencies Affected:** Department of Local Government Finance (State Tax Board).

**Local Agencies Affected:** County auditors.

**Information Sources:**